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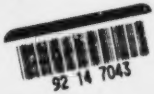
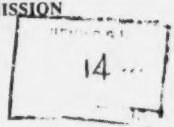


SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549



FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

D92-2236

For the quarterly period ended March 31, 1992

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

PROCESSED BY
11-11-V
MAY 15 1992

Commission file number 0-935

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BELL NATIONAL CORPORATI
(Exact name of registrant as specified in its charter)

California	94-1451828
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)
115 East Putnam Avenue, Greenwich, Connecticut	06830
(Address of principal executive offices)	(Zip code)

Registrant's telephone number, including area code: (203) 661-1069

(Former name, former address and former fiscal year, if changed since last report.)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X No

As of May 12, 1992, the number of shares of the registrant's common stock outstanding is 5,274,186.

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AVAILABLE

Part I - Financial Information

ITEM 1. Financial Statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in Thousands)

ASSETS

	March 31, 1992 (Unaudited)	December 31, 1991
Cash and cash equivalents	$ --	$ --
Accounts receivable, net	1,253	1,224
Inventory, net	4,041	3,664
Prepaid expenses and other current assets	111	80
Total current assets	5,405	4,968
Property and equipment, net of accumulated depreciation	446	475
Goodwill, net of accumulated amortization	762	767
Deferred sample books, net of accumulated amortization	1,310	1,394
Other assets	17	17
	$ 7,940	$ 7,621

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONTINUED)
(Dollars in Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY

	March 31, 1992 (Unaudited)	December 31, 1991
Liabilities:		
Accounts payable	$ 1,247	$ 1,228
Current portion of capitalized lease obligations and $4,448 and $4,153 of notes payable in default at March 31, 1992 and December 31, 1991, respectively	4,512	4,217
Accrued compensation and employee benefits	418	433
Other current liabilities	549	471
Total current liabilities	6,726	6,349
Accrued stock appreciation rights	213	213
Capital lease obligations, less current portion	64	79
	7,003	6,641
Shareholders' equity:		
Common stock, no par value; authorized 12,000,000 shares, issued and outstanding 5,274,186 shares at March 31, 1992 and December 31, 1991	15,797	15,797
Additional paid-in capital	10	10
Accumulated deficit	(14,870)	(14,827)
Total shareholders' equity	937	980
	$ 7,940	$ 7,621

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION
CONSOLIDATED STATEMENT OF OPERATIONS
(Dollars in thousands, except per share amounts)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net sales	$ 3,189	$ 3,272
Costs and expenses:		
Cost of sales	1,592	1,615
Selling, general and administrative	1,550	1,710
Operating income (loss)	47	(53)
Other income (expense):		
Interest expense	(109)	(147)
Interest income	5	3
Other	15	16
Loss before income taxes	(42)	(181)
Provision (benefit) for income taxes	1	(10)
Net loss	$ (43)	$ (171)
Net loss per common share	$ (0.01)	$ (0.03)
Weighted average number of common shares outstanding	5,274,186	5,274,186

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)
(Unaudited)

	Common Stock		Additional Paid-in	Accum-ulated	Total Shareholders'
	Shares	Dollars	Capital	Deficit	Equity
Balance at December 31, 1991	5,274,186	$ 15,797	$ 10	$(14,827)	$ 980
Net loss				(43)	(43)
Balance at March 31, 1992	5,274,186	$ 15,797	$ 10	$(14,870)	$ 937

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Cash flows from operating activities:		
Net loss	$ (43)	$ (171)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	36	37
Amortization of goodwill	5	5
Amortization of deferred sample books	238	247
Accretion of discount on notes payable to Azimuth	8	8
Provision for doubtful accounts and sales returns	2	--
(Increase) decrease in assets:		
Accounts receivable	(31)	(129)
Inventory	(377)	168
Prepaid expenses and other current assets	(31)	(125)
Increase (decrease) in liabilities:		
Accounts payable	19	(145)
Accrued compensation and employee benefits	(15)	(10)
Other current liabilities	78	104
Net cash used in operating activities	(111)	(11)
Cash flows from investing activities:		
Acquisition of property and equipment	(7)	(10)
Purchase of deferred sample books	(154)	(238)
Net cash used in investing activities	(161)	(248)
Cash flows from financing activities:		
Proceeds from issuance of notes payable	287	270
Principal payments on capital lease obligations	(15)	(14)
Net cash provided by financing activities	$ 272	$ 256

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
(Dollars in thousands)

(Unaudited)

	Three Months Ended March 31,	
	1992	1991
Net decrease in cash and cash equivalents	$ --	$ (3)
Cash and cash equivalents at beginning of period	--	3
Cash and cash equivalents at end of period	$ --	$ --

Supplemental Disclosure of Cash Flow Information

Cash paid during the year for:		
Interest	$ 86	$ 117
Income taxes	3	18
Cash received during the year for		
Interest income	--	3

The accompanying notes are an integral part of these consolidated financial statements.

BELL NATIONAL CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
March 31, 1992
(Unaudited)

Note 1 The Company

General. The information contained in this report is unaudited but, in management's opinion, all adjustments necessary for a fair statement of results have been included. The results for the three months ended March 31, 1992 are not necessarily indicative of results to be expected for the entire year. These financial statements and notes should be read in conjunction with Bell National Corporation's (the "Company") Annual Report on Form 10-K for the year ended December 31, 1991.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As of March 31, 1992, the Company was not in compliance with various covenants of its debt agreement with Continental Bank, N.A. (the "Bank"). Under terms of the credit agreement, if the Company fails to meet the terms of the agreement, the Bank may request immediate payment of the outstanding principal, interest and fees (the "Bank Debt"). However, the Bank has waived its right to require payment of the Bank Debt through March 31, 1992. The Company foresees no need to, and has therefore made no attempt to, secure alternative financing, and it is not certain that any alternative financing would be available. In the event that the Bank requires payment of the Bank Debt and no alternative financing is available, the Company may be unable to continue operations.

The Company and the Bank have reached an agreement in principle for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

Results of Operations

Revenues and Expenses. The Company's revenues and expenses result from the operations of Payne Fabrics, Inc. The Company's sales of $3,189,000, cost of goods sold of $1,592,000 and selling, general and administrative expenses of $1,550,000, yielded operating income of $47,000 during the first quarter of 1992. Sales during the first quarter of 1992 decreased by $83,000 compared to the same period in 1991, while the gross profit percentage decreased slightly by .5% in 1992. The resulting $60,000 decrease in gross profit during the first quarter of 1992 compared to 1991, was offset by a larger decrease in selling, general and administrative expenses of $160,000. The decrease in selling, general and administrative expense was the result of steps taken during the fourth quarter of 1991 to reduce costs in the sales and marketing areas. As a result, operating income increased by $100,000 during the first quarter of 1992 compared to 1991.

The continuing poor sales volume was caused by various factors which include poor regional economies, the economic difficulties of some independent distributors, poor consumer confidence in general and weakness in the furniture and fabrics industries.

Interest expense decreased from $147,000 for the first quarter of 1991 to $109,000 for the first quarter of 1992. The $38,000 decrease is attributable to a decrease in the prime rates and lower debt balances.

As a result of the increase in operating income and decrease in interest expense, the net loss decreased from $171,000 for the first quarter of 1991 to $43,000 for the first quarter of 1992.

Liquidity and Capital Resources

Available Resources. The Company's consolidated unrestricted cash position at March 31, 1992 was $0. In connection with the Loan Agreement, the Company instituted a cash management system whereby the net cash generated by operations is immediately used to reduce Bank Debt. The immediate reduction of outstanding debt provides the Company with a greater reduction in interest expense than could be offset with interest income from alternative investments. In the absence of the Loan Agreement requiring such a system, the Company would continue to use excess funds to immediately reduce Bank Debt since it currently provides the Company with its best return. A review of the financial statements, summary data, working capital and discussion of liquidity must take into consideration, that the Company does not maintain any cash balances in any of its accounts by design. Working capital needs, when they arise, are met by daily borrowings.

As noted above, the Company was unable to meet certain covenants required by its line of credit with the Bank. However, the Bank has waived its right to require payment of the Bank Debt through March 31, 1992. Although Management has no reason to believe that the Bank will require immediate payment of the Bank Debt, the lack of an alternative line of credit, has caused the classification of all debt as current liabilities.

The Company and the Bank have reached an agreement in principal for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992.

Future Needs For and Sources of Capital. The Company believes that cash to be provided by operations and funds available under its line of credit will be sufficient to fund the Company's 1992 cash needs, provided that the Bank does not require payment of all bank debt in 1992. The Bank has waived its right to require payment of the Bank Debt through March 31, 1992. As discussed in the preceding section, the Company has reached an agreement in principle, for the refinancing of the current Bank Debt. The Company expects to conclude negotiations and finalize the proposed agreement in late May 1992. Under the terms of its current credit agreement, the Company is provided with a line of credit that provides for borrowings to meet working capital requirements. The line calls for monthly payment of interest, quarterly payments of commitment fees and quarterly reductions in the available credit limit. At March 31, 1992, the total credit limit is $4,010,000 ($3,944,000 outstanding at March 31, 1992).

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

a. Exhibits - none

b. Reports on Form 8-K - none

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BELL NATIONAL CORPORATION
(Registrant)

Date: May 12, 1992

Alexander M. Milley, Chairman of the Board and Secretary

Date: May 12, 1992

Thomas R. Druggish, Chief Financial Officer (Principal Financial Officer and Accounting Officer)